

## Message Text

UNCLASSIFIED

PAGE 01 SANTIA 07089 211628Z

73

ACTION L-03

INFO OCT-01 ARA-10 ISO-00 ABF-01 FSE-00 OPR-02 PER-03 A-01

/021 W

----- 091124

R 211558Z JUL 76

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 431

INFO DEPT OF TREASURY

DEPT OF AGRICULTURE

UNCLAS SANTIAGO 7089

TREASURY FOR BUREAU OF GOVERNMENT FINANCIAL OPERATIONS, ATTN:  
DAISY BURLEY

EO 11652: N/A

TAGS: EFIN, AFIN

SUBJECT: CURRENCY USE PAYMENTS FOR PL-480 - EXCHANGE RATE  
COMPUTATION

REF: A) BURLEY LETTERS JULY 2; MAY 6, 1976; B) THURSTON LETTER  
MARCH 26, 1976; C) STATE 005744

1. USDO SANTIAGO HAS BEEN RECEIVING A SERIES OF INQUIRIES FROM  
TREASURY CONCERNING RATE OF EXCHANGE USED IN CALCULATING  
CURRENCY USE PAYMENTS (CUP), UNDER OUR PL-480 AGREEMENTS OF  
OCTOBER 1974 AND JULY 1975. TREASURY'S JULY 2 LETTER NOTES  
THAT "THE U.S. EQUIVALENT PLACED ON CUP COLLECTIONS SEEM TO BE  
INCORRECTLY VALUED. IT APPEARED THAT THE BUYING RATE RATHER  
THAN THE SELLING RATE WAS USED TO ARRIVE AT THE U.S. EQUIVALENT.  
AS YOU SHOULD BE AWARE, CUP COLLECTIONS ARE TO BE VALUED AT  
SELLING RATES AND NOT BUYING RATES." HENCE, CUP RECORDS FOR  
SANTIAGO WERE NOT "VALUED IN TERMS OF PL-480 AGREEMENTS WITH  
THE GOVERNMENT OF CHILE."

2. IN HER LETTER OF MARCH 26, USDO HAS POINTED OUT THAT "FOR  
THE EMBASSY, THE BUYING AND SELLING RATES ARE THE SAME." THE  
TREASURY'S REPLY OF MAY 6 NEVERTHELESS INDICATED THAT THE  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SANTIA 07089 211628Z

SELLING AND NOT THE BUYING RATE SHOULD BE USED, "SINCE THE

PL-480 AGREEMENTS SPECIFY THE SELLING RATE TO BE USED TO VALUE CUP, THE EMBASSY SHOULD VALUE THEM AT THE SELLING RATE." MOREOVER, THE USDO WAS INSTRUCTED TO INSERT ON THE WORKSHEETS THE "DIFFERENCE BETWEEN THE U.S. EQUIVALENTS AT THE BUYING RATE AND AT THE SELLING RATE."

3. IN ORDER TO CLEAR UP THIS MISUNDERSTANDING, WE WOULD LIKE TO EXPLAIN IN GREATER DETAIL HOW THE EMBASSY ARRIVED AT THE CONCLUSION THAT THE BUYING AND SELLING RATE ARE THE SAME. WE START WITH ARTICLE III G OF THE AGREEMENT OF OCTOBER 25, 1974 WHICH READS:

"FOR THE PURPOSES OF THIS AGREEMENT, THE APPLICABLE EXCHANGE RATE FOR DETERMINING THE AMOUNT OF ANY LOCAL CURRENCY TO BE PAID TO THE GOVERNMENT OF THE EXPORTING COUNTRY SHALL BE AT A RATE IN EFFECT ON THE DATE OF PAYMENT BY THE IMPORTING COUNTRY WHICH IS NOT LESS FAVORABLE TO THE GOVERNMENT OF THE EXPORTING COUNTRY THAN THE HIGHEST EXCHANGE RATE LEGALLY OBTAINABLE IN THE IMPORTING COUNTRY AND WHICH IS NOT LESS FAVORABLE TO THE GOVERNMENT OF THE EXPORTING COUNTRY THAN THE HIGHEST EXCHANGE RATE OBTAINABLE BY ANY OTHER NATION. WITH RESPECT TO LOCAL CURRENCY:

1. AS LONG AS A UNITARY EXCHANGE RATE SYSTEM IS MAINTAINED BY THE GOVERNMENT OF THE IMPORTING COUNTRY, THE APPLICABLE EXCHANGE RATE WILL BE THE RATE AT WHICH THE CENTRAL MONETARY AUTHORITY OF THE IMPORTING COUNTRY, OR ITS AUTHORIZED AGENT, SELLS FOREIGN EXCHANGE FOR LOCAL CURRENCY.

2. IF A UNITARY RATE SYSTEM IS NOT MAINTAINED, THE APPLICABLE RATE WILL BE THE RATE (AS MUTUALLY AGREED BY THE TWO GOVERNMENTS) THAT FULFILLS THE REQUIREMENTS OF THE FIRST SENTENCE OF THIS SECTION G."

4. CHILE HAS A UNITARY EXCHANGE SYSTEM. ACCORDINGLY, THIS ARTICLE REQUIRES THAT THE CENTRAL BANK, IN SATISFACTION OF ITS CUP OBLIGATIONS, PAY TO THE EMBASSY PESOS AT THE SAME RATE WHICH IT WOULD CHARGE FOR A SALE OF DOLLARS.

5. WE CALLED THE CENTRAL BANK TO CONFIRM THE RATE AT WHICH  
UNCLASSIFIED

UNCLASSIFIED

PAGE 03     SANTIA 07089 211628Z

IT SELLS DOLLARS. THE REPLY WAS THAT THE RATE AT WHICH IT (OR ITS AUTHORIZED AGENT, THE BANCO DE TALCA) WOULD SELL DOLLARS TO THE EMBASSY WOULD BE THE SAME AS THE RATE AT WHICH IT WOULD BUY DOLLARS, EXCEPT THAT ON BANK SALES OF DOLLARS (BUT NOT PURCHASES OF DOLLARS), THE BANK WOULD CHARGE A COMMISSION OF 2 PESOS PER THOUSAND PESOS. WE FURTHER UNDERSTAND THAT COMMERCIAL BUYERS OF DOLLARS WOULD PAY ADDITIONAL COMMISSIONS. SUCH COMMISSIONS COMBINED WITH THE BASIC BUYING/SELLING RATE

COULD BE SAID TO CONSTITUTE A DISTINCT SELLING RATE YIELDING MORE PESOS TO THE CENTRAL BANK. ON THIS ARGUMENT, THE EMBASSY COULD INSIST THAT CUP PAYMENTS BE REVISED AND INCREASED TO REFLECT THIS HIGHER RATE.

6. HOWEVER, IN A SIDE NOTE (NO. 487) ALSO SIGNED ON OCTOBER 25, 1974, THE TWO GOVERNMENTS AGREED THAT "... THE EXCHANGE RATE USED TO COMPLETE LOCAL CURRENCY PAYMENTS UNDER THIS AGREEMENT WILL BE THE RATE AT WHICH THE CENTRAL BANK OF CHILE SELLS DOLLARS IN THE BROKERS' MARKET, NET OF BANKING CHARGES." WE HAVE THEREFORE ASSUMED THAT SINCE COMMISSIONS MAY NOT BE TAKEN INTO ACCOUNT IN DETERMINING THE SELLING RATE, THE SELLING RATE REMAINS THE SAME AS THE BUYING RATE. WE HAVE THEREFORE ACCEPTED CUP PAYMENTS AT THIS UNIFIED RATE.

7. WE WOULD APPRECIATE THE DEPARTMENT'S GUIDANCE AS TO WHETHER OUR INTERPRETATION IS A CORRECT ONE.  
POPPER

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN EXCHANGE RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 JUL 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976SANTIA07089  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760281-0289  
**From:** SANTIAGO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760737/aaaabfry.tel  
**Line Count:** 133  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION L  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 14 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <14 APR 2004 by ReddocGW>; APPROVED <28 DEC 2004 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CURRENCY USE PAYMENTS FOR PL-480 - EXCHANGE RATE COMPUTATION  
**TAGS:** EFIN, AFIN, CI, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006